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STATE FOR AC/CB, NP/CBM, VC/CCB, L/ACV, IO/S
SECDEF FOR OSD/ISP
JOINT STAFF FOR DD PMA-A FOR WTC
COMMERCE FOR BIS (GOLDMAN)
NSC FOR JOECK
WINPAC FOR WALTER

E.O. 12958: N/A

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SUBJECT: CHEMICAL WEAPONS CONVENTION (CWC) - DISCUSSIONS ON
2005 BUDGET

This is CWC-125-04.

SUMMARY

1. (U) It was apparent at the October 12-15 Executive Council that member states remain divided on the Director-General's budget and program proposal for 2005. While the differences are not great, whether on the level of increase or specifics in the program, it will still require some time and effort to reach an agreement. The budget will be raised at the upcoming special EC on November 24, but chances for agreement there are slim. Instead, the special EC likely will be the starting point for final budget negotiations, which will probably take place on the margins of the November 29-December 3 Conference of States Parties. End Summary.

LEVEL OF BUDGET INCREASE

2. (U) In the run-up to the recent EC, the co-facilitators (Gordon Eckersley of Australia and Ian Mundell of Canada) held numerous consultations to allow delegations to raise questions and objections to the DG's proposed budget and program for 2005. While the positions of various States Parties were not widely divergent, there remained differences that needed to be bridged. Moreover, the Technical Secretariat (TS) had failed to provide responses to numerous

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questions from SPs (including the U.S.), which provided a justification for a continuing impasse. Finally, and most importantly, the clear focus of attention for delegations at the EC was on the proposed technical change to allow conversion of the Rabta facility in Libya.

3. (U) However, with the CSP now looming, SPs have less leeway to avoid coming to grips with the budget and programme for 2005. On the most important issue, the level of the overall budget increase, work will need to be done to bridge a clear gap. In its opening statement, the U.S. expressed its support for the DG's proposed increase of 4.8 percent. From sidebar conversations and opening statements, all other delegations appear to want a reduction in the proposed overall budget increase, although they remain frustratingly silent about what particular level of increase they could support.

4. (U) The EU, in its opening statement, indicated their position is an increase significantly lower than 4.8 percent. However, the French indicated in sidebar discussions there is not really a consensus within the EU. Some delegations want a severe cut in the overall level, while others want a more moderate reduction. The FRG delegation indicated the EU is looking for a number with a "3" in front of it. The Netherlands indicated that it is pretty satisfied with the overall request, but has concerns over long-term consultancies. Austria indicated it shared the common concerns expressed about the methodology for calculating salaries and common staff costs and other issues. Most delegations informally thought that an increase of only 3.8 percent might be acceptable, and Russia indicated that it agreed with the EU position.

FACILITATORS' REPORT

5. (U) The Council received an oral status report from the co-facilitators. Eckersley informed the EC that there were three main items outstanding on the draft budget:
-- the core objectives language, which might be adjusted,
-- the resources to be agreed upon to complete these objectives (e.g., the overall budget level), and
-- the terms of the decision at CSP.

16. (U) The specific terms to be included in the budget decision that Eckersley mentioned were:
-- RBB is an on-going process and the core and subordinate objectives and indicators may be adjusted in future budget documents,
-- the TS should conduct an analysis of its current methodology for certain forecasting in the budget (i.e. salaries and staff costs),
-- the relevance of the staffing levels (e.g., if the 507 ceiling is necessary), and
-- contingencies for unforeseen expenditures.

17. (U) In comments from the floor, most SPs expressed appreciation for the first budget in an RBB format, called for a possible reduction in the overall requested budget increase, indicated concerns about the TS increase in General Temporary Assistance (GTA), the use of consultants, and salaries and staff costs. Several delegations, including the NAM, continue their drumbeat for an increase for International Cooperative Assistance (ICA) and the equal or balanced distribution of the budget among programs. (Note: Such statements might have been made to set up the following possible budget trade-off: increased ICA would allow the NAM to support increased Article VI inspections, specifically DOC/PSF facilities, sought in the DG's proposed program. End Note.)

18. (U) The common concerns held by most dels were
-- salary and staff costs (Note: It may be that if the TS revises its estimates on the salary calculations and adjusts the time period used to calculate the exchange rate, the resulting savings might be enough to achieve a 1% reduction. At this time, it appears most SPs would be satisfied with such an outcome. End note.)
-- General Temporary Assistance/Temporary Assistance Contracts,
-- consultancies (termination of the consultant for Universality), and
-- the exchange rate used for salary increase calculations.

19. (U) Most delegations were in favor of converting the security guard force to fixed-term posts, but within the existing 507 personnel ceiling. (Mundell expressed concern several times over the fact that eleven of these posts would be going from Chapter 1 to Chapter 2 of the budget, though he was the only person to voice that concern.)

10. (U) Pakistan said it would join consensus on the budget, not indicating any interest in the "numbers" included in the request, but expressing serious concerns over the language for the core objectives in a budget using RBB. It was also apparent in informal discussions that they did not seem very energized on the idea of reaching a consensus early, with most indicating there would probably be "a lot of activity" at the CSP.

11. (U) In response to the oral report and the comments made from the floor, DG Pfirter responded that the TS had taken good notes and would do its best to provide the information requested. He indicated that the best budget does not over- or under-estimate the resources required to fulfill the organizations goals. The DG requested SPs not to cut the budget "too close to the bone" and then request him to find additional savings. He emphasized that the decision by member states on the tenure policy was proving to be very costly for the organization.

12. (U) The EC agreed to report language noting that several issues needed further work, in particular in the context of implementing RBB, the further consideration of the OPCW's objectives and further discussion of a small number of other specific elements and related resource requirements. The report language also requests the TS to review promptly the parameters for making key budget estimates to assess the scope for effective program implementation at a funding level lower than initially requested. The key factors would include the current disbursement rate against approved budget allocations for 2004, recent decisions on salary levels and related staff benefits in the UN Common System, updated USD/Euro exchange-rate information, and the latest available outlook for local inflation and labor-market conditions.

13. (U) (Comment: The co-facilitators do not appear to have a solid game-plan on how to move ahead in the run-up to the CSP, and the delegation will continue to press them to move the process forward. When asked informally about their plan of action for the upcoming weeks, neither facilitator had a firm course of action other than holding additional consultations. They thought they would have proposed language on the core objectives in about three weeks. They also indicated they would await the revised budget document from the TS, which would give them direction on how many additional consultations would be needed and when they would need to be scheduled. End Comment.)

¶14. (U) The Indian, Pakistani, and Iranian dels made objections to noting the Medium-Term Plan for 2005-2007 due to the fact that the language on the objectives used in the 2005 draft budget were still open for discussion and both documents should contain the same language. The Council therefore decided to further consider the Draft Medium-Term Plan for 2005-2007 at a meeting prior to CSP-9.

¶15. (U) Ito sends.
SOBEL